

Message Text

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SSO-00 SP-02 NSCE-00 NSC-05 AS-01 /063 R

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C O N F I D E N T I A L STATE 011010

E.O. 11652: GDS

TAGS: PFOR, SPMARR,US

SUBJECT:SPANISH BASE NEGOTIATIONS: EXPLANATORY COMMENTS
ON U.S. COUNTERDRAFT OF SUPPLEMENTARY AGREEMENT
NO. 7 ON MATERIEL FOR THE ARMED FORCES

1. EXPLANATORY COMMENTS ON US COUNTER-DRAFT OF SUPPLEMENTARY AGREEMENT ON MATERIEL FOR THE ARMED FORCES (NUMBER 7) ARE SET OUT BELOW. REVISED TEXT OF AGREEMENT SENT SEPTEL.

2. ARTICLE 1. CANNOT ACCEPT SPECIFYING INTEREST RATE AT WHICH FMS-GUARANTEED LOANS WOULD BE EXTENDED. FMS GUARANTY CONSTITUTES USG UNDERTAKING TO REPAY LENDING INSTITUTION IN EVENT OF FOREIGN GOVERNMENT BORROWER DEFAULT SINCE THIS AUTHORITY DOES NOT PERMIT US TO ALTER STANDARD
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FEDERAL FINANCING BANK TERMS (APPROXIMATELY COST OF MONEY TO USG), WE UNABLE TO INSURE IN ADVANCE WHAT SPECIFIC

INTEREST RATES WILL ATTACH TO PARTICULAR LOANS. IN ORDER TO IMPROVE OPTICS OF ARTICLE, WE HAVE DELETED PHRASE "NOT MORE THAN" IMMEDIATELY PRECEDING "DOLS 120,000,000".

3. ARTICLE 2, PARA 2. WE HAVE ADJUSTED U.S. DRAFT TO CLARIFY THAT LEVEL OF TRAINING CONTEMPLATED IS DOLLAR

LEVEL AND NOT NUMBER OF PERSONNEL BEING TRAINED.

4. ARTICLE 3. U.S. DRAFT CAREFULLY WORDED TO SATISFY STATUTORY REQUIREMENTS FOR RECIPIENT AGREEMENT REGARDING CERTAIN MATTERS AS CONDITION OF ELIGIBILITY FOR MAP AND FMS. ACCORDINGLY WE CANNOT ACCEPT ANY CHANGES IN WORDING OR SUBSTANCE OF THIS ARTICLE, AND HAVE FOR FURTHER ACCURACY DELETED WORDS "ARTICLE I OF" IN FIRST SENTENCE.

5. ARTICLE 4. BECAUSE OF USG OBLIGATIONS UNDER CONSORTIUM AGREEMENT AND PRODUCTION TIMING UNCERTAINTIES, WE ARE NOT RPT NOT ABLE TO ACCEPT INCLUSION OF SPECIFIC DATE BY WHICH TIME F-16 TO BE MADE AVAILABLE. MOREOVER, UNABLE TO ESTIMATE DATE OF AVAILABILITY PRIOR TO COMPLETION OF MASTER PROGRAMMING PLAN CONCERNING F-16 AVAILABILITY TO NON-CONSORTIUM COUNTRIES. WITH THIS UNDERSTANDING, LANGUAGE REGARDING AVAILABILITY FOR SALE TO NON-CONSORTIUM COUNTRIES MAY BE DELETED AS SURPLUSAGE. "ACQUISITION" DELETED IN FAVOR OF "PURCHASE" TO MAKE CLEAR THAT TRANSACTION WOULD BE FMS SALE.

6. ARTICLE 5. INITIAL U.S. DRAFT REPRESENTS MAXIMUM OFFER. WE HAVE MODIFIED ORIGINAL LANGUAGE TO INCLUDE SPECIFIC REFERENCE TO MAINTENANCE. CHANGE IS FOR PURPOSE OF CLARIFICATION AND DOES NOT SUBSTANTIVELY ALTER ORIGINAL OFFER. LAST SENTENCE OF SPANISH COUNTERDRAFT ACCEPTABLE WITH EDITORIAL CHANGES.

7. ARTICLE 6. WE CAN ACCEPT SPANISH PROPOSAL WITH CERTAIN CLARIFYING EDITORIAL CHANGES. WORD "PARTIES" SUBSTITUTED FOR WORD "GOVERNMENTS" IN ORDER TO PERMIT SERVICE-TO-SERVICE AGREEMENTS IN THIS AREA.

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8. ARTICLE 7. ACCEPT SPANISH DELETION OF AF LOGISTIC SHIP.

9. ARTICLE 8. WE CANNOT, FOR STRONG LEGAL AND POLICY REASONS, AGREE IN ADVANCE TO ACCEDE TO EVERY SPANISH COPRODUCTION REQUEST. ACCORDINGLY, ORIGINAL U.S. LANGUAGE RETAINED.

10. ARTICLE 9. DRAFTING OF TEXT DEFERRED. AS

OUTLINED PARA. 4(A) OF STATE , PRESENTATION OF
CONCRETE PROPOSAL ON F-4 PACKAGE MUST AWAIT RESOLUTION
OF QUESTION OF COST, NATURE OF TRANSACTION, AND RELATED
ISSUES.

11. ARTICLE 10. RETENTION OF ORIGINAL LANGUAGE
NECESSARY IN VIEW U.S. LEGAL CONSIDERATIONS AND CON-
GRESSIONAL SENSITIVITIES. PURPOSE IS TO MAKE CLEAR
THAT MAP AND FMS PROVIDED FOR IN AGREEMENT WILL BE
FURNISHED THROUGH EXISTING SECURITY ASSISTANCE MECHANISMS
ESTABLISHED BY STATUTE AND OF WORLD-WIDE APPLICATION. ANY
ATTEMPT TO MODIFY TERMS, CONDITIONS AND LIMITATIONS OF
THAT MECHANISM TO BENEFIT SPECIFIC COUNTRY LIKELY TO BE
OPPOSED IN CONGRESS. ACCORDINGLY, THIS ARTICLE WOULD
BE OF SIGNAL IMPORTANCE IN SECURING CONGRESSIONAL
APPROVAL OF AGREEMENT.

12. ARTICLE 11. SLIGHT EDITORIAL REVISION.

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